

Message Text

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PAGE 01 BELGRA 06562 071328Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----000441 071337Z /11

O R 071222Z SEP 78
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC IMMEDIATE 7861
INFO AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY WARSAW

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EXDIS

E. O. 11652: N/A
TAGS: EAIR, YO
SUBJ: SUSPENSION OF PAN AM SERVICES

REF: STATE 226048

1. I AM DISMAYED TO LEARN OF PAN AM DECISION TO SUSPEND AIR SERVICE TO BELGRADE AND STRONGLY RECOMMEND THAT DEPARTMENT TAKE IMMEDIATE STEPS TO URGE RECONSIDERATION. WHILE I AM NOT IN A POSITION TO ASSESS THE IMPACT OF SUSPENDED PAN AM SERVICE ON MOSCOW AND THE OTHER EAST EUROPEAN POSTS AFFECTED, I AM CONVINCED THAT A SUSPENSION WILL CREATE A SIGNIFICANT FOREIGN POLICY PROBLEM HERE AND IS CERTAIN TO BE VIEWED BY THE YUGOSLAVS AS A NEGATIVE AND CONFUSING SIGNAL IN OUR RAPIDLY IMPROVING OVER-ALL BILATERAL RELATIONSHIP.

2. WITH REGARD TO THE REPORTED BASIS OF PAN AM'S DECISION, I FIND IT PARTICULARLY DIFFICULT TO BELIEVE THAT THE BELGRADE SERVICE IS EITHER "UNPROFITABLE" OR "CONOMICALLY MARGINAL".
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THE LOCAL PAN AM MANAGER HERE HAS TOLD US FREQUENTLY THAT THE SERVICE IS A MONEY-MAKER AND THAT BUSINESS THIS YEAR HAS BEEN BETTER THAN EVER. DURING THE PAST MONTH OR SO, IN FACT, PAN AM HAS BROUGHT IN AT LEAST FOUR EXTRA AIRCRAFT (THAT WE KNOW OF) TO PROVIDE SECOND SECTIONS DUE TO THE EXCEPTIONALLY HEAVY VOLUME OF TRAFFIC. RESERVATIONS WERE DIFFICULT, IF NOT VIRTUALLY IMPOSSIBLE, TO GET THROUGHOUT JULY AND AUGUST AND,

INDEED, WE HAVE BEEN TOLD THAT AT THIS TIME SEATS ARE NOT AVAILABLE TO NEW YORK UNTIL EARLY OCTOBER.

3. MOST IMPORTANTLY, HOWEVER, THE YUGOSLAVS WILL FIND IT DIFFICULT TO UNDERSTAND HOW THE UNITED STATES (THEY WILL NOT EASILY DISTINGUISH BETWEEN PAA AND THE USG) CAN ABRUPTLY TERMINATE ITS AIRLINE SERVICES TO BELGRADE AT A TIME WHEN OUR OVERALL POLITICAL RELATIONSHIP HAS IMPROVED DRAMATICALLY AND HAS ASSUMED MAJOR IMPORTANCE IN BOTH CAPITALS. MOREOVER, AT A TIME WHEN WE HAVE TAKEN CONCRETE STEPS ON BOTH SIDES TO EXPAND OUR ECONOMIC AND COMMERCIAL RELATIONSHIPS, THE PAN AM DECISION WILL APPEAR INCOMPREHENSIBLE TO OFFICIALS HERE, AND PROBABLY TO U.S. BUSINESSMEN AS WELL, AND WILL HURT THE EFFORTS AND MOMENTUM THAT WE HAVE BEEN GENERATING TO PROVIDE INCREASED BUSINESS CONTACTS AND SERVICES. IT WILL CALL INTO QUESTION OUR COMMITMENT TO EXPANDING TRADE AND PROVIDING SUPPORT FOR U.S. BUSINESS IN THIS PART OF THE WORLD.

4. WITH REGARD TO THE IMPACT OF PAN AM'S DECISION ON THE OPERATION AND MANAGEMENT OF THIS POST, I BELIEVE THAT IT WOULD CAUSE ONLY A MARGINAL INCONVENIENCE. NEW ARRANGEMENTS AND PROCEDURES FOR POUCH DELIVERIES, FOR EXAMPLE, WOULD HAVE TO BE WORKED OUT, BUT BEYOND THAT THERE SHOULD BE NO MAJOR OPERATIONAL PROBLEMS.

5. IN SUM, I BELIEVE THE PAN AM DECISION TO SUSPEND SERVICE TO BELGRADE WILL BE HARMFUL TO USG POLITICAL AND ECONOMIC OBJECTIVES LIMITED OFFICIAL USE

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HERE. WHILE PAA IS NOT A PHILANTHROPIC ORGANIZATION, I DO BELIEVE IT HAS AN OBLIGATION TO TAKE INTO ACCOUNT THE IMPACT THAT SUCH A DECISION WILL HAVE ON FOREIGN POLICY. I RECOMMEND THAT THE DEPARTMENT RAISE THIS MATTER WITH PAN AM SENIOR MANAGEMENT IMMEDIATELY AND MAKE AN APPEAL TO THEM TO REVERSE THEIR DECISION WITH REGARD TO SERVICE TO BELGRADE. IN SO DOING, I BELIEVE WE SHOULD CHALLENGE PAN AM'S POSITION THAT THIS SERVICE IS NOT PROFITABLE AND ASK TO SEE ACTUAL FIGURES ON TRAFFIC AND BUSINESS THIS YEAR THAT WOULD JUSTIFY THEIR ASSERTION.

EAGLEBURGER

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